

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1691 – HB 1725

March 4, 2022

SUMMARY OF BILL: Requires the Tennessee Higher Education Commission (THEC) to include a new weighted variable to the outcomes-based funding formula model for fiscal years beginning on or after July 1, 2025. The new variable includes the average annual earnings of student cohorts at six and ten years after enrollment at a higher education institution regardless of the completion status of individuals within the cohort, and only including individuals who are employed and not currently enrolled at a higher education institution. Requires the variable to be weighted at 25 percent for four-year universities, and weighted at 50 percent for community colleges and colleges of applied technology (TCAT).

FISCAL IMPACT:

Other Fiscal Impact – Funding allocated and distributed among the higher education institutions will significantly change beginning in FY25-26. The reallocation and funding amounts distributed would vary each year and among each institution. However, the precise amount and timing of such reallocation are unknown and cannot be reasonably determined.

Assumptions:

- The total available funding to higher education institutions will not change as a result of the propose legislation; however, significant portions of funding would shift from some institutions to other institutions as a result of reallocating funds from the addition of the new variable to the formula.
- According to THEC, as part of the requirement [Tenn. Code Ann § 49-7-202(f)] to be fair and equitable in distribution and use of public funds, no outcome exceeds a weight of 30 percent, with the majority of outcomes weighted between 10 and 15 percent in order to appropriately capture the wide array of outcomes at each individual institution.
- Based on information provided by THEC, incorporating the new weighted variable of average annual earnings of these specific student cohorts at 25 percent for four-year universities, and weighted at 50 percent for community colleges and colleges of applied technology will pull weighted points away from other outcomes, such as completion and graduation rates, resulting in a change in distribution among the institutions.
- TCATs do not currently exist inside the outcomes-based funding formula; incorporating TCATs into the formula, weighted at 50 percent would result in a shift in funding from universities and community colleges to TCATs.

- Beginning in FY25-26, funding allocations will change. The reallocation and funding amounts distributed would vary each year and among each institution; however, the precise amount and timing of any such reallocation are unknown and cannot be reasonably determined.
- Incorporating the new variable into the outcomes-based funding formula model will not have a significant fiscal impact to THEC and can be accomplished within existing resources.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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